

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1391 - SB 1313

March 12, 2017

SUMMARY OF BILL: Establishes the Office of Apprenticeship and Work-Study Programs (OAWSP) within the Department of Economic and Community Development (ECD) to: promote federally certified apprenticeship and work-study programs to assist industries that have needs for such programs; establish industry consortiums; maintain specified data regarding the programs; employ personnel as necessary to implement and administer the programs; and perform other functions and duties as necessary for successful administration of the programs. Requires the OAWSP to collect fees in an amount sufficient to pay the costs of operations and authorizes the OAWSP to seek grants and other sources of funding to implement and administer the programs. Requires the OAWSP to be audited by the Comptroller of the Treasury.

Requires all boards and commissions under the Division of Regulatory Boards of the Department of Commerce and Insurance (TDCI) to develop and maintain an apprentice program for use by such boards and commissions. Requires each board and commission to submit an annual report on the status of the apprentice program to specified legislative and executive entities.

Establishes a franchise and excise (F&E) tax credit equal to four percent of the cost of participating in an apprenticeship and work-study program. Prohibits the total amount of such credit provided to all tax payers from exceeding \$1,000,000 in any calendar year. The tax credit shall apply to tax years beginning on or after January 1, 2018, but no credit shall be allowed to any taxpayer that fails to submit an application for the credit by October 15 following the calendar year in which an apprenticeship or work-study program was offered.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$241,400/FY17-18/Office of Apprenticeship

\$223,200/FY18-19 and Subsequent Years/Office of Apprenticeship

Decrease State Revenue – \$1,000,000/FY19-20 and Subsequent Years/General Fund

Increase State Expenditures –

\$241,400/FY17-18/Office of Apprenticeship

\$223,200/FY18-19 and Subsequent Years/Office of Apprenticeship

Assumptions:

- The effective date of this legislation is July 1, 2017, except that the F&E tax credits will apply to tax years beginning on or after January 1, 2018.
- According to ECD, two additional positions will be required to manage the program and ensure compliance: a Director of the OAWSP and a program manager position.
- The recurring increase in expenditures associated with such positions and other administrative costs is estimated to be \$223,238 (\$150,000 salary + \$38,738 benefits + \$12,500 travel + \$22,000 computer related, printing, communications, supplies and materials). The one-time increase in expenditures is estimated to be \$18,200 (\$10,000 training + \$8,200 equipment).
- The OAWSP is required to collect fees in an amount sufficient to pay the cost of operating the office. Therefore, it is assumed the OAWSP will collect fee revenue of \$241,438 (\$223,238 + \$18,200) in FY17-18, and recurring fee revenue of \$223,238 in FY18-19 and subsequent years.
- The increase in state expenditures for the OAWSP in FY17-18 is estimated to be \$241,438 (\$223,238 + \$18,200); the recurring increase in state expenditures for the OAWSP beginning in FY18-19 is estimated to be \$223,238.
- Based on information provided by the Department of Revenue (DOR), it is assumed that the \$1,000,000 F&E tax credit limit will be reached in each tax year. The recurring decrease in state revenue to the General Fund is estimated to be \$1,000,000.
- It is assumed that the tax credit will only be available for apprenticeships or work-study programs that begin on or after January 1, 2018. For such programs, an application for the tax credit is required by October 15, 2019, and DOR's response is required by December 15, 2019. As a result, the first year impacted is estimated to be FY19-20.
- According to TDCI, the proposed bill will not result in a significant increase in state expenditures for the Division of Regulatory Boards as any additional responsibilities can be accommodated within existing resources. Pursuant to Public Chapter 881 of the Public Acts of 2014, all boards and commissions under the Division of Regulatory Boards were required to develop a plan to create an apprentice program for use by such boards and commissions.
- The Comptroller of the Treasury will audit the office in conjunction with the audit of ECD, without incurring a significant increase in state expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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